

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 NEAE-00 SP-02 USIA-06 AID-05
EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 L-03 H-01 /094 W
----- 029696

P R 080702Z DEC 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8501

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

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E.O.11652: N/A

TAGS: ETRD, BEXP, UK, TC

SUBJECT: BOYCOTT PROBLEM OF UAE IMPORTER

REF: (A) STATE 294429; (B) LONDON 19337; (C) STATE
289724; (D) ABU DHABI 3193

SUMMARY. THERE IS AN APPARENT MISUNDERSTANDING ABOUT
FACTUAL SITUATION IN GRAY MCKENZIE CASE. GRAY MCKENZIE
IS A UK-OWNED TRADING COMPANY AND HAS NOT CANCELLED OR-
DERS FOR CERTAIN U.S. GOODS IN ANTICIPATION OF PROBLEMS
WITH OUR BOYCOTT LAWS, BUT BECAUSE THE U.S. SUPPLIERS ARE
NO LONGER WILLING TO PROVIDE THE NEGATIVE CERTIFICATION
REQUIRED FOR GRAY MCKENZIE TO CLEAR GOODS INTO UAE OR
OTHER ARAB COUNTRIES. WE ARE URGING GRAY MCKENZIE TO TRY
"POSITIVE" CERTIFICATION APPROACH BEFORE GIVING UP EN-
TIRELY ON U.S. SOURCES OF SUPPLY. FOLLOWING RESULTS OF
OUR INVESTIGATION ARE REPORTED IN SOME DETAIL BECAUSE A
NUMBER OF ASPECTS WILL HAVE GENERAL APPLICATION TO FUTURE
CASES. END SUMMARY.

1. WE HAVE HAD SEVERAL CONVERSATIONS WITH INCHCAPE
AND ARAB-BRITISH CHAMBER OF COMMERCE OFFICIALS DURING
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PAST FEW DAYS IN ORDER TO CLARIFY THE SITUATION. INCH-

CAPE REPRESENTATIVES HAVE NOT BEEN VERY FORTHCOMING ON DETAILS, BUT BELIEVE FOLLOWING IS ACCURATE DESCRIPTION OF ESSENTIAL ELEMENTS OF PROBLEM.

2. INCHCAPE IS A UK-BASED, PUBLICLY OWNED COMPANY. MAJORITY OF STOCK HELD BY LORD INCHCAPE. AS FAR AS EMBASSY CAN DETERMINE THERE IS LITTLE, IF ANY, U.S. OWNERSHIP OF INCHCAPE OR GRAY MCKENZIE. SINCE ALMOST ALL STOCK HELD BY LORD INCHCAPE, IT MOST UNLIKELY THAT 10 PERCENT WOULD BE IN U.S. HANDS, BRINGING COMPANY UNDER REGULATIONS AFFECTING U.S. SUBSIDIARIES.

3. INCHCABE OPERATES IN VARIOUS PARTS OF THE WORLD THROUGH WHOLLY-OWNED SUBSIDIARIES, WHICH IN THE CASE OF GULF OPERATIONS, IS GRAY MCKENZIE (GM). PARENT COMPANY AND SUBSIDIARIES ARE EXCLUSIVELY TRADING COMPANIES. FOR A NUMBER OF YEARS GRAY MCKENZIE HAS OPERATED AS A PURCHASING AGENT FOR UAE, MAINLY IN THE AREAS OF LIQUOR/SPIRITS AND CAPITAL GOODS. SALES VOLUME IS IRREGULAR, BUT APPARENTLY GM PURCHASES ABOUT 2-300,000 DOLLARS ANNUALLY IN U.S. GOODS ON BEHALF OF UAE.

4. ACCORDING TO INCHCAPE, UAE HAS ALWAYS REQUIRED MANUFACTURER OR SUPPLIER OF GOODS PURCHASED TO CERTIFY ON INVOICE AS FOLLOWS: "WE HEREBY CERTIFY THAT THE GOODS INNUMERATED IN THIS INVOICE ARE NOT OF ISRAELI ORIGIN, NOR DO THEY CONTAIN ISRAELI MATERIALS AND ARE NOT BEING EXPORTED FROM ISRAEL AND ARE OF (BLANK) ORIGIN." (E.Q., U.S. ORIGIN.)

5. THIS INVOICE IS THEN USED BY UK TRADING COMPANY AS FOLLOWS TO OBTAIN THE NECESSARY "CERTIFICATE OF ORIGIN." (SAME BASIC PROCEDURE IS USED BY UK DOMESTIC MANUFACTURERS.) THE PURCHASER/SELLER (E.G., INCHCAPE/GM) SUBMITS INVOICE TO ITS PARTICULAR UK CHAMBER OF COMMERCE, WHICH THEN SUBMITS IT TO THE RECENTLY ESTABLISHED ARAB-BRITISH CHAMBER OF COMMERCE, WHICH THEN MAKES NECESSARY REQUEST TO APPROPRIATE ARAB EMBASSY FOR "LEGALIZATION." AFTER DOCUMENTS HAVE BEEN APPROVED BY EMBASSY, IT ISSUES A CERTIFICATE OF ORIGIN. INVOICE AND CERTIFICATE ARE THEN LIMITED OFFICIAL USE

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RETURNED TO THE COMPANY WHICH SENDS THEM TO ITS AGENT IN THE IMPORTING COUNTRY IN ORDER TO CLEAR CUSTOMS.

6. INCHCAPE/GM HAS BEEN PURCHASING U.S. GOODS FOR UAE AND FOLLOWING ABOVE PROCEDURE UNTIL RECENTLY WHEN U.S. COMPANIES BEGAN SAYING THEY COULD NO LONGER ACCEPT ORDERS WHICH REQUIRED STATEMENT ON INVOICE OF TYPE QUOTED IN PARA 3 ABOVE. WE UNDERSTAND U.S. COMBANIES HAVE BEEN

USINQ LANGUAGE ALONQ FOLLOWING LINES TO DECLINE NEW
ORDERS: "DUE TO U.S. EXPORT ADMINISTRATION ACT WE WILL
NO LONGER BE ABLE TO PROVIDE CERTIFICATION AS REQUESTED
ON INVOICE AND THEREFORE MUST REGRETFULLY DECLINE TO
ACCEPT ORDER."

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 8502

INFO AMEMBASSY ABU DHABI

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7. ACCORDING TO INCHCAPE/GM, WHAT THEY HAVE DONE IS SIM-
PLY TO CANCEL ORDERS FROM THOSE U.S. COMPANIES WHICH HAVE
SPECIFICALLY SAID THEY CANNOT PROVIDE STATEMENT ON IN-
VOICE. INCHCAPE REPRESENTATIVES ARE NOT WILLING TO DIS-
CUSS SPECIFIC COMPANIES WITH US BUT SAID LIST OF COMPAN-
IES MENTIONED IN PARA 5 OF REF (D) IS GENERALLY ACCURATE
BUT NOT COMPLETE. REPRESENTATIVES ALSO SAID ALMOST ALL
U.S. COMPANIES THEY DO BUSINESS WITH HAVE NOW DECLINED
FURTHER ORDERS REQUIRING NEGATIVE CERTIFICATION.

8. FROM OUR CONVERSATIONS WITH INCHCAPE DIRECTOR FOR
MIDDLE EAST, MR. LAWRENCE, IT APPEARS THE COMPANY HAS TWO
PRIMARY CONCERNS. FIRST, INCHCAPE/GM DOES NOT WANT TO BE

LEFT HOLDING GOODS WHICH UAE OR OTHER ARAB COUNTRIES WILL NOT ALLOW IN BECAUSE INVOICE LANGUAGE OR CERTIFICATE OF ORIGIN LANGUAGE IS NOT FULLY ACCEPTABLE. MORE IMPORTANT, HOWEVER, COMPANY DOES NOT WANT TO UPSET ITS CLOSE (AND PROFITABLE) RELATIONSHIPS WITH ARAB COUNTRIES -- ESPECIALLY NOW THAT BUSINESS IS BOOMING. AS LAWRENCE PUTS IT, "WE DON'T WANT TO FOUL UP 120 YEARS OF PRODUCTIVE RELATIONSHIPS."
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TIONS IN THE GULF" BY APPEARING TO SYMPATHIZE WITH U.S. ANTI-BOYCOTT EFFORTS.

9. WE HAVE BEEN ABLE TO CONVINCE LAWRENCE THAT THERE IS SOME MERIT IN AT LEAST LOOKING FOR ALTERNATIVE FORMULATIONS WHICH WOULD ALLOW FOR CONTINUED PURCHASES OF AMERICAN GOODS FOR HIS COMPANY. HE HAS NOW AGREED TO CAREFULLY SOLICIT COMPANY OFFICES IN THE GULF TO SEE IF A POSITIVE CERTIFICATE OF SOME TYPE MIGHT BE ACCEPTABLE. (WE JUDGE FROM REF (C) THAT PROPOSED REVISION OF SECTION 369.3 WOULD EXEMPT "POSITIVE" CERTIFICATES FROM BEING CONSIDERED A RESTRICTIVE TRADE PRACTICE FOR PURPOSES OF EXPORT ADMINISTRATION ACT.) HOWEVER, GIVEN INCHCAPE/GM'S BASIC ATTITUDE, WE ARE NOT OVERLY HOPEFUL THAT SITUATION CAN BE RECTIFIED IN OUR FAVOR.

ARMSTRONG

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